

Message Text

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FOR S/NM

E.O. 11652: N/A
TAGS: SNAR, TH
SUBJECT: USDA PROPOSED PROJECT INVOLVING CARNATION PRODUCTION

1. BEFORE DEPARTING THAILAND USDA REP FISHLER GAVE EMBASSY COPY OF PROPOSAL FOR COMMERCIAL CULTIVATION OF CARNATIONS FOR SUBSEQUENT SALE IN SINGAPORE AND HONG KONG. THE THRUST OF THE PROJECT IS THE CULTIVATION OF CARNATIONS BY 200 HILLTRIBE FAMILIES UTILIZING 60 RAI OF LAND IN AN OPIUM-GROWING AREA. THE COST OF THE PROJECT OVER THREE-YEAR PERIOD IS ESTIMATED AT \$452,470. CAPITAL COSTS INCLUDED IN ABOVE TOTAL ARE \$251,050 (REFRIGERATOR VAN, GREENHOUSE AND SPECIALIZED IRRIGATION EQUIPMENT AND GENERATOR). PERSONNEL TRAINING COSTS ARE ESTIMATED AT \$145,620 OVER THREE YEAR PERIOD. MISCELLANEOUS COSTS (VEHICLE INSURANCE AND MAINTENANCE, FERTILIZERS AND INSECTICIDES, OPERATION OF GENERATOR) TOTAL \$55,800 OVER THREE-YEAR PERIOD.

2. THE PROJECT WOULD FALL UNDER THE AEGIS OF PRINCE BHISADET AND THE HIGHLAND AREA RESEARCH COORDINATING COMMITTEE. PROJECT DIRECTOR WOULD BE DR. PHISIT
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VORAUAI, CHAIRMAN OF THE NCB SUB-COMMITTEE ON CROP SUBSTITUTION AND THE PERSON DESIGNATED BY PRIME MINISTER KRIANGSAK TO DRAW UP AN OVERALL PLAN FOR CROP SUBSTITUTION IN THE NORTH. WE HAVE DISCUSSED THE PROJECT WITH DR. PHISIT, WHO HAS NOT RAISED THE ISSUE OF USG FINANCING WITH US. HE IS ENTHUSIASTIC AND BELIEVES HE HAS A READY MARKET FOR CARNATIONS IN HONG

KONG, DR. PHISIT HAS INFORMED OUR CONSUL IN CHIANG MAI THAT HE ALREADY SIGNED A CONTRACT WITH A HONG KONG COMPANY WHICH WILL PURCHASE THE CARNATIONS TO BE PRODUCED. WE ARE ENCOURAGED TO NOTE THAT THE PROJECT AS PRESENTED BY DR. PHISIT CONTAINS PROVISION FOR PRODUCTION AND MARKETING OF THE FLOWERS ON A COMMERCIAL SCALE -- THE FIRST SUCH PROVISION IN CROP RESEARCH PROJECTS IN THAILAND.

3. MISSION NARCOTICS EXECUTIVE COMMITTEE HAS REVIEWED THE PROPOSAL AND BELIEVES THAT THE PROJECT, THOUGH PROMISING, WILL CONTRIBUTE IN A LIMITED WAY TO THE OVERALL CROP SUBSTITUTION EFFORT. AT PRESENT WE DO NOT SEE POSSIBILITIES FOR EXTENDING THIS PROJECT BEYOND THE RELATIVELY SMALL GROUP OF FAMILIES INVOLVED IN THE PILOT PROJECT, UNLESS THE HONG KONG OR OTHER MARKET NEEDS FOR CARNATIONS ARE MUCH LARGER THAN WE ARE AWARE OF. FURTHER, EXTENSION WOULD OBVIOUSLY BE CONSTRAINED BY THE AVAILABILITY OF TRANSPORTATION FROM AREAS OF CULTIVATION TO CHIANG MAI AND TO THE INTERNATIONAL MARKET.

4. SHOULD IT BE NECESSARY, WE WOULD HAVE NO DIFFICULTY IN AGREEING TO A USDA GRANT OF \$25-30,000 TO ENCOURAGE HILLTRIBE PARTICIPATION IN THIS PROJECT. WE NOTE, HOWEVER, THAT THE OVERALL COST OF \$450,000 IS ROUGHLY LIMITED OFFICIAL USE

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THREE TIMES THE COST OF THE LARGEST PREVIOUS USDA SPONSORED RESEARCH PROJECT HERE, WHICH TOTALLED ABOUT \$150,000, HOWEVER, IF THE CAPITAL COSTS OF THE CARNATION PROJECT ARE EXCLUDED, THE ONGOING COSTS OF ABOUT \$200,000, SPREAD OVER THREE YEARS, ARE NOT TOO FAR OUT OF LINE. NEVERTHELESS, A GRANT OF SUCH MAGNITUDE SEEMS DIFFICULT TO JUSTIFY FOR A SINGLE PROJECT. CONSEQUENTLY, WE DO NOT RECOMMEND THE USE OF S/NM FUNDS FOR THIS PROJECT AND BELIEVE THAT USDA WILL WANT TO CONSIDER CAREFULLY WHETHER IT WISHES TO COMMIT SUCH A DISPROPORTIONATE SHARE OF ITS FUNDS TO ONE PROJECT.

5. THIS MESSAGE IS STADIS FOR INITIAL DISTRIBUTION. WE HAVE NO OBJECTION TO DEPARTMENT PASSING TO USDA. WHITEHOUSE

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